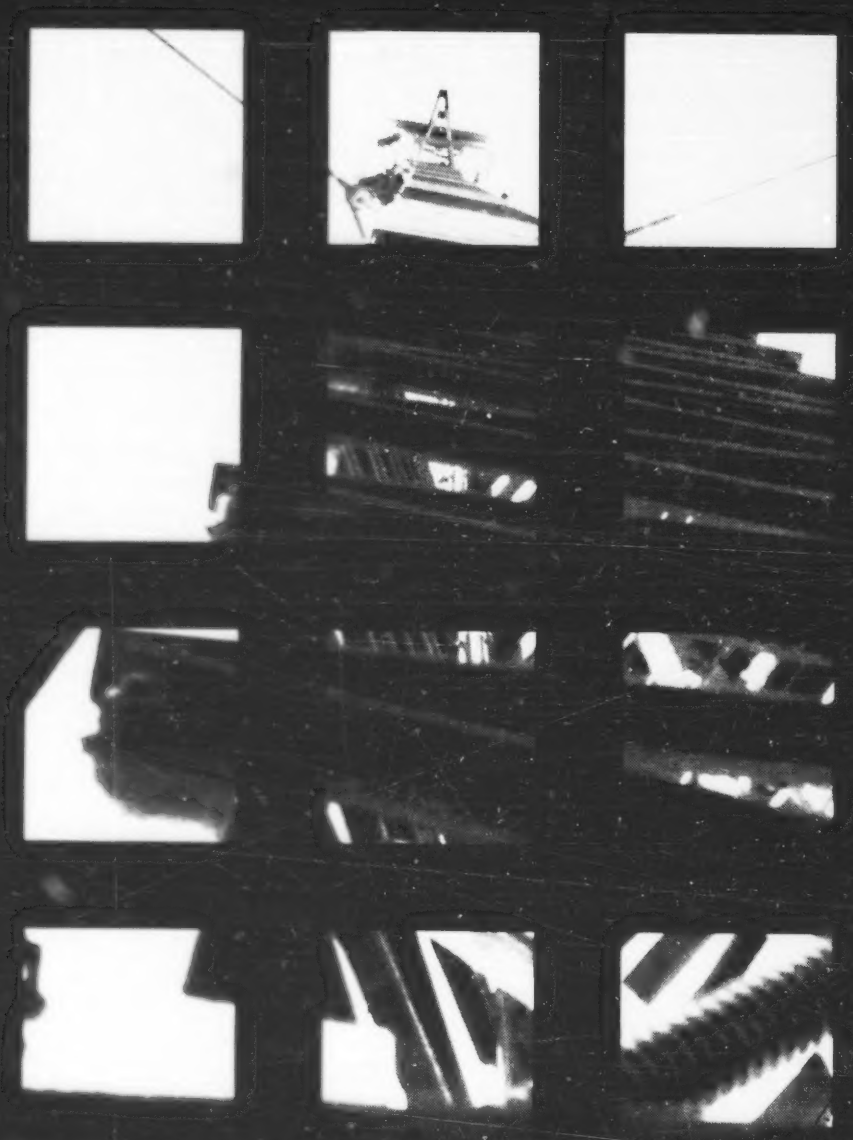

Saskatchewan Telecommunications

1973 Annual Report

101-03327/

Regina, Saskatchewan
February 25, 1974.

To His Honour,
The Honourable Stephen Worobetz, M.C., M.D.,
C.R.C.S. (C)
Lieutenant Governor of the
Province of Saskatchewan.

Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1973 including the financial statement therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

Minister of Telephones and Chairman
Saskatchewan Telecommunications

LEGISLATIVE LIBRARY OF ONTARIO
MAR 5 1974

HON J E BROCKELBANK

DIRECTORS*

HON. J. E. BROCKELBANK — Chairman
HON. N. E. BYERS — Regina
W. E. CLARKE — Regina
G. M. FARRELL — Saskatoon
J. E. NIEMAN — Engelfeld
MRS. F. PETERSON — Biggar
F. SENFT — Lipton
A. A. VOEGELI — Regina
J. J. WEST — Foam Lake

G D McCORMICK

OFFICERS*

General Manager — G. D. McCORMICK
Assistant General Manager — Operations — A. G. THOMAS
A/Comptroller — N. F. STEPAN
General Personnel and Public Relations Manager — J. HOUSTON
General Counsel and Secretary to the Board — T. A. HOWE
Chief Engineer — S. F. LEE
General Commercial Manager — F. A. DEGENSTEIN
General Plant Manager — H. E. FREBERG
General Traffic Manager — E. A. McKILLOP
Business Information Systems Manager J. A. FUNK

* as at December 31, 1973

HIGHLIGHTS

- Long distance messages originating in Saskatchewan increased by 25.1%.
- 21.8 thousand SASK TEL telephones added.
- Dataroute, the world's first country-wide digital data transmission service, introduced.
- Two new microwave routes into the north put in service.
- Twenty-four communities converted to dial service.
- Twenty-six communities connected to the Direct Distance Dialing network.
- 968 telephones added in "Unserved Areas" and on Indian Reserves.
- The value of SASK TEL's telecommunications property increased by $25.9 million.
- Operating revenues increased by 10.8%; operating expenses by 11.5%.
- Net income amounted to $16,336,266.
- $8,150,000 was appropriated as a dividend to the Province of Saskatchewan.

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Saskatchewan Telecommunications
2350 Albert Street, Regina, Sask. S4P 2Y4

1973 Annual Report

REVIEW OF ACTIVITIES

With the opening of the new microwave routes to Collins Bay on Wollaston Lake and to Buffalo Narrows, the first steps were taken to make standard telephone services possible in developed centers in Northern Saskatchewan. Elsewhere in the province, the number of telephones increased beyond forecast and to a greater extent than in any previous year. The increase in long distance messages was double the trend, due, to a great extent, to the new one minute rate schedule for customer dialed long distance calls. As anticipated, the average cost of an in-province call dropped 13%. Based on the previous rate schedule, Saskatchewan subscribers saved over two and a half million dollars on the calls they made in the year. On the other hand, the increase in long distance calling more than offset the effect of the reductions in the rate schedule.

Even with the high rate of growth in the number of telephones over the past ten years, the number added in 1973, at 21,854, set a new record . . . a 6.3% increase compared with 5% in the previous year. In order to attain this gain 123,372 telephones were installed and 101,518 removed . . a 10% increase in this work activity over last year's volumes.

Of the total increase in telephones in service 886 were added in rural areas and 82 on Indian Reserves under SASK TEL's Unserved Area Program. These projects have accounted for the installation of approximately 5,400 telephones in rural areas and reserves located outside the established serving area of rural telephone companies.

During 1973 SASK TEL acquired 398 subscribers resident in 17 Saskatchewan communities which were previously served by rural telephone companies. In the same period the rural companies added to their subscriber list increasing their year end total by 32 over 1972.

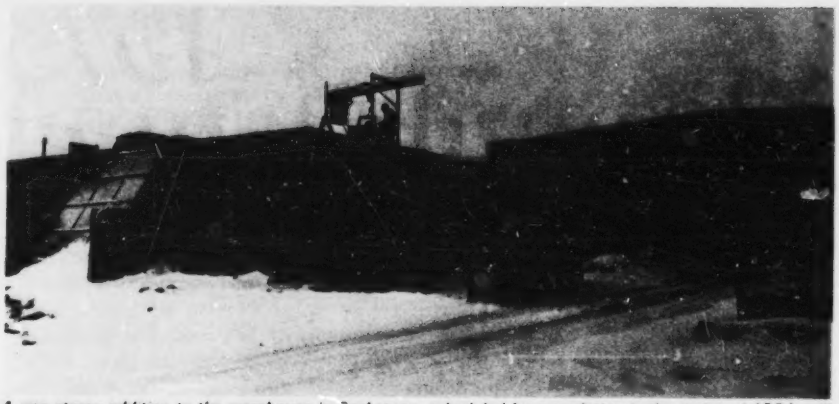
The combined result of the increases in SASK TEL and rural company-owned phones raised the number of telephones per 100 population to 45.9 at the year end from 43.1 at the end of the previous year.

SASK TEL switches the local and long distance calls for rural telephone companies and bills long distance charges directly to 67% of their subscribers. Due to amalgamation and dissolution the number of rural telephone companies dropped from 814 to 796 during the year.

Long distance calling by Saskatchewan telephone users increased by a record 25.1% in 1973, double the increase of the previous year. As indicated earlier, the new one minute minimum and discount schedule was the major reason for the change. No doubt the general economy also had an effect on the increased volumes handled.

By the year-end all automatic exchanges, with the exception of Uranium City, had access to the direct distance dialing network. Thus more than 99% of Saskatchewan's telephone subscribers can now dial their own long distance calls. Of the 28,995,000 long distance messages originating in the province 74% or 21,464,000 were customer dialed.

Saskatchewan Telecommunications set up a pilot project in the Saskatoon area aimed at providing improved service to present and potential rural telephone customers. The long term objective of the project is to develop a program to determine what changes are necessary to provide high quality service to residents



A one storey addition to the warehouse in Saskatoon, scheduled for completion in the spring of 1974, will provide much needed space for plant and construction personnel as well as training facilities.

in rural areas of Saskatchewan.

Because of the extra construction required and due to changing technology accompanied by increasing costs, rural telephone companies are finding it almost impossible to meet the demand for service from widely dispersed applicants. Similarly, costs appear prohibitive for rural companies to serve the new small holding developments which are springing up near cities and within their recognized serving areas. As a result, some companies are indicating a desire to have SASK TEL assume the responsibility for service in their areas.

The pilot project will attempt to rationalize rural telephone service examining the various alternatives that may be open. The project is being undertaken with the co-operation of the rural telephone companies in the area. Because of the amount of re-routing of lines and re-grouping of subscribers and the vast amount of cable work necessary, the project will take several years to complete.

Construction spending, to extend and improve telecommunications services, increased by over $10 million over 1972 to $36 million for the year. The number and scope of the projects reflected by this expenditure is necessary to meet the increasing demands for present services, for the introduction of new facilities into Northern Saskatchewan and for the existing service areas.

In October 1973 the microwave network was extended to Buffalo Narrows to connect the dial exchanges in that community and at Ile-a-la-Crosse to the long distance network. In addition, this facility provides paystation service at Beauval until local dial service is established there in 1974. The network is scheduled to be extended to La Loche in the same year.

In November an extension to the microwave network, scheduled for completion to Uranium City in early 1975, was completed as far as Collins Bay on Wollaston Lake and is providing long distance telephone and TWX services to that mining centre. A portion of the existing network from Prince Albert was re-routed and up-graded as far as La Ronge to carry television signals to the CBC's television transmitter there. A completely new route extends from La Ronge.

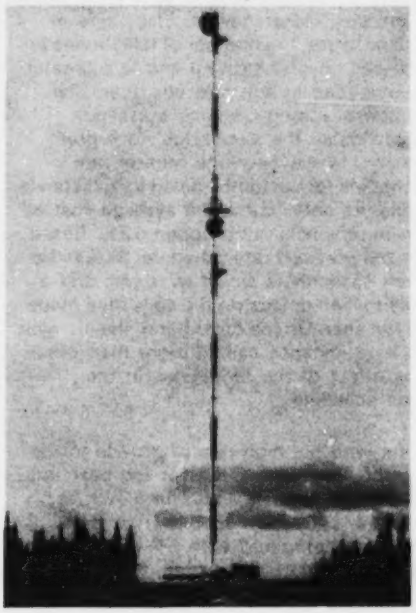
Installations were underway at Saskatoon and at Regina, where a major building extension is under construction, to provide local electronic switching in those exchanges. The Saskatoon warehouse is being enlarged and a small service center is being constructed at La Ronge to faciliate service to Northern Saskatchewan.

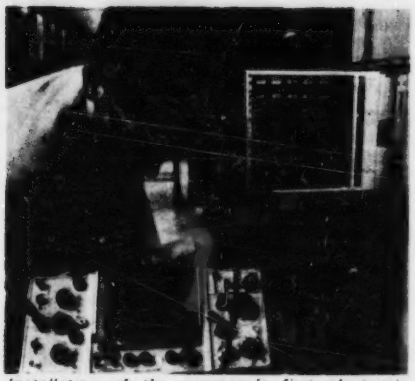
Community dial offices were put in

While work on the first stage (two floors) of the new Lorne Street building in Regina neared completion at the year end, construction on the next three floors was well underway.

Multicom, the only switched pay-as-you-use data transmission service in the world operating at up to 50,000 words a minute, is designed for use with either company or customer-owned terminals such as this Terminet 300.

A microwave tower reaches skyward in a remote area of Saskatchewan's north. It is one of many which will provide first-time telephone service to northern residents and industry.





Installation of the company's first electronic switching machine commenced in Saskatoon in 1973 for service in mid-1974. Similar equipment will be installed in Regina in 1974 for service in early summer, 1975

operation in 19 communities and automatic service extended to 5 other communities switched in nearby exchanges. The communities are listed elsewhere in this report. These, plus Buffalo Narrows and Ile-a-la-Crosse, were added to the direct distance dialing network, leaving Uranium City the only exchange where operators must complete all types of long distance calls.

Work is well advanced to introduce, in 1974, local dial and direct distance dialing service to the remaining 20 communities and connecting rural telephone company facilities now served with manual telephones. SASK TEL will then become "one hundred per cent dial".

During 1973 three new Northern Radio-Telephone Service agencies were established at Deschambault, Kinoosao, and Wollaston Lake Post. Beginning in November, SASK TEL began leasing radio-telephone sets to individual customers and by the year end 19 were in operation. An additional 18 customers, who own their own sets, were being provided with service through SASK TEL's base station at Prince Albert. Following completion of the microwave system under construction, the radio-telephone agencies in the communities now served will be converted to standard telephone service either as paystations or community dial exchanges. They will be connected to the "backbone" system by thin route microwave. Establishment of the exchanges will be dependent on the size of the community and the desires of the local residents.

Elsewhere in the province the modernization program for both local, rural and long distance services was accelerated as 1630 route miles of cable was buried during the year. In addition to the increased benefits of reliability and lower maintenance costs in providing telephone service, removal of pole lines is gradually helping to improve the appearance of the Saskatchewan landscape. A number of rural telephone companies have adopted a similar practice with respect to their plant.

In the spring of 1973 the Computer Communications Group of the Trans-Canada Telephone System introduced The Dataroute, the world's first country-wide digital data transmission service. As a member of the Trans-Canada Telephone System, SASK TEL takes part in the provision of this service which transmits data at a much lower cost and with higher accuracy than was previously possible. It is an end-to-end offering from business machine interface to business machine interface serving the data transmission needs of modern business.

FAXcom, another new service offered by the member companies of the Trans-Canada Telephone System, was also introduced in the first half of 1973. This service permits the transmission of words and pictures over telephone circuits. With FAXcom, customers can transmit a standard 8½ by 11 inch page in three minutes. Standard long distance rates apply to the transmission time and a monthly rental is charged for the terminal.

Decorator phones, combining vintage with contemporary, were introduced in November 1973. Three styles . . . Candlestick, Chestphone and Cradlephone, each with several color options, were offered to meet customer demand for different styling. Although similar styles are being offered in retail stores, their mechanism is not always compatible with SASK TEL's equipment or conditions of service. Decorator phones are offered on a premium rental basis as an alternative offering to SASK TEL's standard line of telephones.

Although offered in Regina and Saskatoon for several years, Touch Tone service is now being introduced on a limited and progressive basis to other large centers as the installation of the necessary switching equipment permits. These centers include Swift Current, Moose Jaw, Yorkton, Weyburn, Estevan, North Battleford and Prince Albert.

SASK TEL recognizes the value of the contribution its staff made to attain the new records of service achieved during the year. Employees of the corporation also continued to take part in a wide range of community activities including blood donor clinics, fund raising, and leadership in sports and cultural programs, which contribute to the well-being of the people of Saskatchewan.

Negotiations were commenced to revise an agreement with the Communications Workers of Canada (formerly the Communications Workers of America) which expired on September 30th, 1973. Meetings discussing matters of mutual concern, including those of the occupational health committees, were held during the year.

Training programs designed to up-grade the skills of corporation personnel were maintained or increased in SASK TEL's various departments. SASK TEL continued to assist by sharing in the cost of "off-hours" courses taken by members of its staff.

This Service Coordination Centre, opened at the year end in Ottawa, is the focal point where the operation and status of the various Trans-Canada Telephone System Telecommunications networks are continuously observed

AUTOMATIC SERVICE AND DIRECT DISTANCE DIALING

CONVERTED TO DIAL SERVICE AND DDD — 1973

Avonlea
Aylesbury
Birsay
Brock
Buchanan
Cando
Christopher Lake
Fleming
Grayson
Jansen
Macoun
Marcelin
Meacham
Meyronne
Riceton
Sheho
Springside
St. Gregor
Togo
Torquay
Warman
Wilcox
Wiseton
Yellow Creek

SCHEDULED FOR DIAL SERVICE AND DDD — 1974

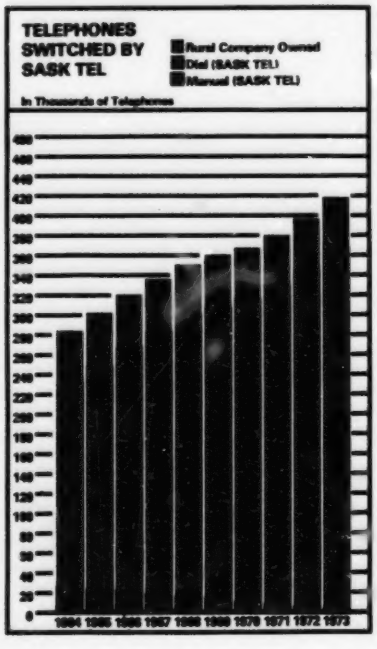
Alvena
Beauval
Conquest
Cumberland House
Drake
Dubuc
Goodeve
Goodsoil
Kelfield
La Loche
Loon Lake
Paddockwood
Pierceland
Rabbit Lake
Reserve
Scott
Senlac
Springwater
St. Brieux
Wishart

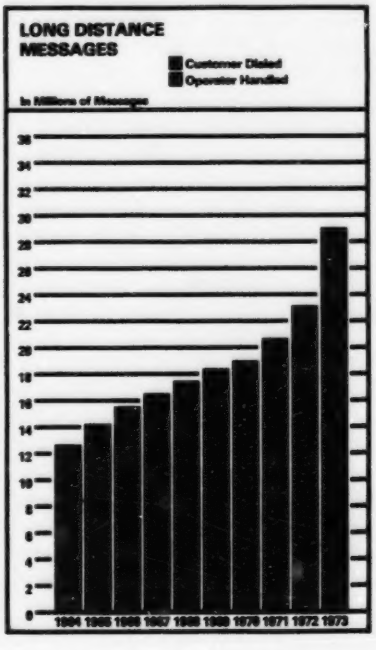
DIAL EXCHANGES ADDED TO DDD NETWORK — 1973

Buffalo Narrows
Ile-a-la-Crosse

DIAL EXCHANGE SCHEDULED FOR DDD — 1975

Uranium City


TELEPHONES SWITCHED BY SASK TEL
Rural Company Owned
Dial (SASK TEL)
Manual (SASK TEL)
In Thousands of Telephones
1964 1965 1966 1967 1968 1969 1970 1971 1972 1973


LONG DISTANCE MESSAGES
Customer Dialed
Operator Handled
In Millions of Messages
1964 1965 1966 1967 1968 1969 1970 1971 1972 1973

FINANCIAL

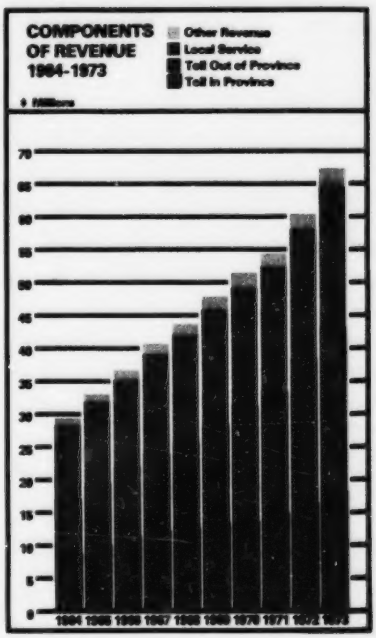
Total operating revenues for the year were $66.2 million, an increase of 10.8% over 1972. Local service revenues of 21.2 million increased 7.1% caused by the record increase of telephones in service. Toll revenues of $43.1 million account for 65.1% of the total operating revenues and are up 13.1%. The toll increase is a result of the extraordinary growth in long distance messages of 25.1% and reflects a full year of the reduced rates for customer dialed long distance service.

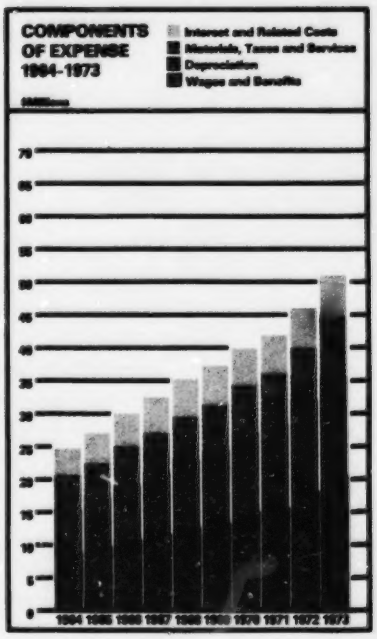
Operating expenses of $44.2 million are up $4.5 million, 11.5% over 1972. The increase is a reflection of accelerated customer demands, increased depreciation and maintenance on growing telecommunications facilities and the impact of inflation. Salaries and employee benefits charged to operations account for 45.9% of the total and amount to $20.3 million, up $2.4 million, 13.3% over 1972. The increase reflects the added staff required to meet the increased workload as well as increases in wage levels. Depreciation which accounts for 34% of the total operating expenses is up $1.2 million as a result of the growth in telecommunications property.

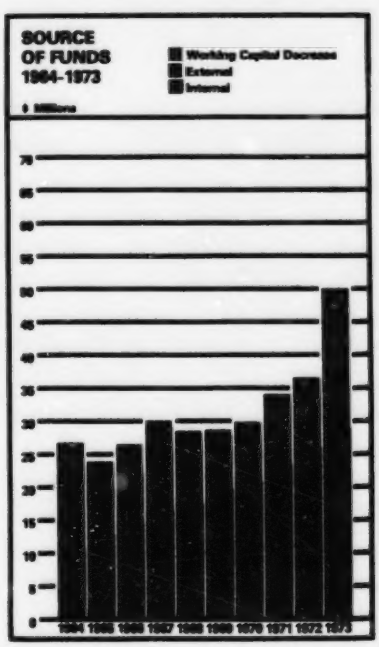
Net income of $16.3 million is up 13.2%. An amount of $8,150,000, representing one-half of the year's net income was appropriated as a dividend to the Province of Saskatchewan. The balance was used in the year's capital program.

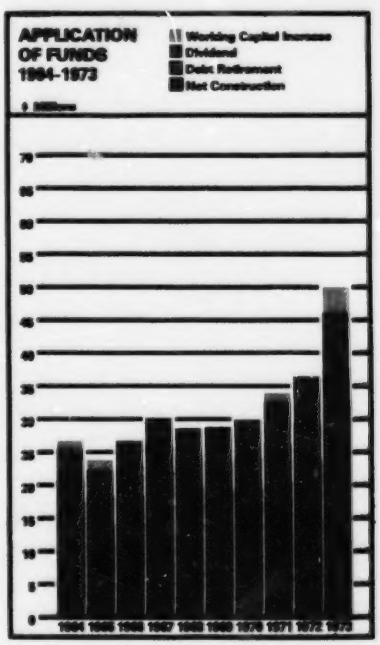
SASK TEL's operations, before the dividend, provided $28.6 million of the funds required for the capital program. These internally generated funds were supplemented by way of long term advances from the Province of $28.2 million. $8.6 million of the advances were borrowed by the Province from the Canada Pension Plan at an average yearly cost of 7.7% and the balance of the advances were provided through twenty-five year bond issues at an average yearly cost of 8.2%.

The Source and Application of Funds Statement indicates that construction spending accounted for $36 million, up 40.6% over 1972. Advances of $6.6 million were retired, $6.1 million was provided from investments held in the sinking fund and the balance by a direct payment. The advance repayment and sinking fund installments amount to $4.9 million. $7 million of the long term advances were applied against the intermediate financing provided through our bank notes payable. The large increase in working capital of $4.1 million reflects short term investments to be used in the 1974 capital program.









Saskatchewan Telecommunications

STATEMENT OF INCOME

For the Year Ended December 31

	1973	1972
OPERATING REVENUES		
Local Service	$ 21,218,815	$ 19,810,267
Toll Service	43,112,414	38,103,772
Other Revenues (Note 1)	2,158,531	2,073,048
Less: Uncollectible Operating Revenues	*252,661*	*209,955*
TOTAL OPERATING REVENUES	$ 66,237,099	$ 59,777,132
OPERATING EXPENSES		
Maintenance	$ 10,434,424	$ 9,358,567
Depreciation	14,789,706	13,644,590
Traffic	5,540,597	5,464,502
Commercial and Marketing	4,370,003	3,594,601
General Administration	4,047,468	3,457,353
Grants in Lieu of Taxes	688,625	661,900
Other Expenses (Note 2)	4,304,064	3,454,234
TOTAL OPERATING EXPENSES	$ 44,174,887	$ 39,635,747
NET OPERATING REVENUE	$ 22,062,212	$ 20,141,385
OTHER INCOME	690,022	284,060
	$ 22,752,234	$ 20,425,445
INTEREST AND RELATED COSTS (Note 3)	6,415,968	5,990,046
NET INCOME FOR THE YEAR	$ 16,336,266	$ 14,435,399

The accompanying notes are an integral part of the financial statements.

AUDITOR'S REPORT

I have examined the balance sheet of Saskatchewan Telecommunications as at December 31, 1973 and the statements of income, source and application of funds and retained earnings for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan,
February 15, 1974.

W. G. Lutz, C.A.,
Provincial Auditor.

Saskatchewan Telecommunications

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31

SOURCE OF FUNDS

	1973	1972
Operations		
Net Income for the Year	$ 16,336,266	$ 14,435,399
Add: Depreciation and Other Non-Cash Items (Net)	12,214,018	11,362,500
	28,550,284	25,797,899
Advances from the Province of Saskatchewan (Net)	28,231,500	15,093,000
	$ 56,781,784	$ 40,890,899

APPLICATION OF FUNDS

Construction Expenditures		
Gross Construction Expenditures	$ 36,010,017	$ 25,615,826
Less: Net Salvage Value of Plant Retired, Capital Contributions and Non-Cash Charges to Construction	3,379,266	2,164,449
	32,630,751	23,451,377
Investment — Telesat Canada	—	166,500
Payment of Bank Notes Payable	7,000,000	4,800,000
Sinking Fund Installments and Advance Repayments	4,885,603	5,408,019
Dividend — Province of Saskatchewan	8,150,000	7,200,000
	$ 52,666,354	$ 41,025,896
Increase (Decrease) in Working Capital	$ 4,115,430	$ (134,997)

STATEMENT OF RETAINED EARNINGS

For the Year Ended December 31

	1973	1972
Balance at Beginning of Year	$ 57,122,868	$ 49,887,469
Add: Net Income for the Year	16,336,266	14,435,399
	73,459,134	64,322,868
Less: Dividend — Province of Saskatchewan	8,150,000	7,200,000
Balance at End of Year	$ 65,309,134	$ 57,122,868

Saskatchewan Telecommunications

BALANCE SHEET

as at December 31

ASSETS

	1973	1972
TELECOMMUNICATIONS PROPERTY		
Land, Buildings and Equipment (at cost)	$ 283,619,904	$ 257,748,819
Less: Accumulated Depreciation	91,229,787	83,381,136
	$ 192,390,117	$ 174,367,683
INVESTMENT — TELESAT CANADA (Note 4)	$ 999,000	$ 999,000
CURRENT ASSETS		
Cash and Investments	$ 5,728,899	$ 122,444
Accounts Receivable	9,237,150	8,195,611
Materials and Supplies (at cost)	3,557,729	3,579,858
Prepayments	716,130	411,710
	$ 19,239,908	$ 12,309,623
DEFERRED CHARGES		
Unamortized Discount on Advances	$ 1,177,333	$ 873,531
	$ 213,806,358	$ 188,549,837

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	1973	1972
LONG TERM LIABILITIES AND RETAINED EARNINGS		
Advances from the Province of Saskatchewan (Note 7)	$ 159,302,584	$ 137,711,793
Less: Equity in Sinking Funds (Note 7)	29,878,370	28,997,532
	$ 129,424,214	$ 108,714,261
Retained Earnings	65,309,134	57,122,868
	$ 194,733,348	$ 165,837,129
BANK NOTES PAYABLE (Note 5)	$ —	$ 7,000,000
CURRENT LIABILITIES		
Accounts Payable	$ 4,856,310	$ 3,377,230
Interest Accrued on Advances	2,381,421	2,060,752
Dividend — Province of Saskatchewan	8,150,000	7,200,000
Service Billed in Advance	835,155	770,049
	$ 16,222,886	$ 13,408,031
DEFERRED CREDITS		
Unamortized Gain on Retirement of Advances before Maturity (Note 6)	$ 2,850,124	$ 2,304,677
	$ 213,806,358	$ 188,549,837

Saskatchewan Telecommunications

NOTES TO FINANCIAL STATEMENTS

NOTE 1 —OTHER REVENUES

Other Revenues comprise the following:

	1973	1972
Directory Advertising	$1,239,309	$1,133,668
Rural Company Connecting Fees	446,793	458,815
Rent and Other	472,429	480,565
	$2,158,531	$2,073,048

NOTE 2 —OTHER EXPENSES

Other Expenses comprise the following:

	1973	1972
Pensions and Other Employee Benefits (a)	$2,384,704	$2,054,328
Operating Rents	644,356	200,886
Other	1,275,004	1,199,020
	$4,304,064	$3,454,234

(a) An actuarial evaluation of the SASK TEL Superannuation Fund indicated an unfunded liability as at July 31, 1972, of approximately $13 million. In order that this liability may be funded by 1990 the employer's rate of contribution to the fund was increased. The total amount provided for this purpose and treated as costs in 1973 was $1,048,035 (1972 - $917,487).

NOTE 3 —INTEREST AND RELATED COSTS

Interest and Related Costs comprise the following:

	1973	1972
Interest on Advances	$8,607,303	$8,022,071
Amortization of Discount	108,698	108,652
Bank Notes and Other Interest	202,964	287,332
	8,918,965	8,418,055
Less: Sinking Fund Earnings	1,944,041	2,217,004
Gain on Debt Retirement	558,956	211,005
	$6,415,968	$5,990,046

NOTE 4 —INVESTMENT — TELESAT CANADA

This investment represents 99,900 common shares, no par value, of Telesat Canada at an issue price of $10 per share.

NOTE 5 —BANK NOTES PAYABLE

Bank notes payable represent intermediate capital financing under a $15 million bank line of credit. The notes bear interest at the prime bank rate.

NOTE 6 —UNAMORTIZED GAIN ON RETIREMENT OF ADVANCES BEFORE MATURITY

Under a modified Sinking Fund policy, advances may be retired prior to maturity through cancellation of Province of Saskatchewan bonds held in the Sinking Fund. A resulting gain is amortized over the remaining life of the advances. During 1973 advances totalling $4,308,425 were retired prior to maturity. A resulting gain of $633,655 together with exchange premium gain on advance cancellations and maturities of $470,748 was credited to this account. A total of $558,956 was amortized and credited to income ($211,005 in 1972).

NOTE 7 — ADVANCES FROM THE PROVINCE OF SASKATCHEWAN

Percent	Due Date	Original Advance		1973 Advance	1973 Sinking Fund Equity	1972 Advance	1972 Sinking Fund Equity
4.000	April 1, 1973	—	(a)	$ —	$ —	$ 2,266,334	$ 1,619,721
3.250	June 1, 1974	4,693,430	(a)	2,093,857	1,566,922	2,130,605	1,385,421
3.500	Jan. 3, 1975	4,000,000		1,972,800	1,509,094	2,200,800	1,512,264
3.250	May 15, 1975	3,000,000		1,422,000	1,010,594	1,648,050	1,073,466
3.500	Oct. 1, 1975	1,000,000		471,400	334,131	484,000	296,776
3.750	Jan. 2, 1976	6,250,000	(a)	2,910,000	1,644,217	3,035,000	1,482,344
4.500	Nov. 1, 1976	2,000,000		945,500	507,014	1,021,875	486,735
4.750	April 1, 1977	7,000,000		3,288,500	1,391,541	3,660,000	1,410,652
3.500	July 1, 1977	209,766	(b)	49,213	—	60,740	—
5.250	Oct. 15, 1977	4,500,000		2,512,286	1,240,494	2,549,571	1,066,214
5.250	June 1, 1978	5,000,000		4,038,000	1,080,929	4,238,000	1,040,009
5.000	Sept. 30, 1979	3,000,000		2,118,300	807,306	2,118,300	668,704
6.000	Oct. 1, 1979	7,500,000		6,366,000	3,570,463	6,366,000	3,128,654
5.250	Oct. 16, 1981	7,000,000		3,534,563	165,153	4,080,562	403,676
5.500	Nov. 15, 1982	5,000,000		3,224,833	447,939	3,437,833	449,057
5.000	Sept. 1, 1983	10,800,000		8,983,000	5,520,878	8,983,000	4,850,951
4.750	Jan. 2, 1984	5,000,000	(a)	2,805,200	1,009,993	3,102,000	1,033,685
5.500	Jan 15, 1984	8,000,000		5,877,600	848,583	6,012,800	664,154
5.500	July 15, 1985	5,000,000		3,284,750	87,092	3,521,250	119,970
5.500	Dec. 1, 1985	9,000,000		6,346,800	629,367	6,739,500	639,150
5.650	1986	7,401,000	(c)	7,401,000	1,835,694	7,401,000	1,602,201
5.698	1987	2,682,000	(c)	2,682,000	630,819	2,682,000	548,801
6.000	March 1, 1987	5,000,000		3,947,333	140,355	4,142,000	139,394
6.549	1988	2,000,000	(c)	2,000,000	316,608	2,000,000	265,968
7.541	1989	10,100,000	(c)	10,100,000	1,313,030	10,100,000	1,079,828
4.875	Oct. 1, 1990	10,000,000	(a)	7,250,000	789,358	8,230,000	1,137,522
8.093	1990	9,806,000	(c)	9,806,000	802,493	9,806,000	605,460
7.125	1991	9,461,000	(c)	9,461,000	451,482	9,461,000	286,755
7.528	1992	15,093,000	(c)	15,093,000	226,821	15,093,000	—
7.689	1993	8,644,000	(c)	8,644,000	—	—	—
7.750	Feb. 15, 1998	5,000,000		5,000,000	—	—	—
8.250	Dec. 3, 1998	15,000,000		15,000,000	—	—	—
		$198,140,196		$158,628,935	$29,878,370	$136,571,220	$ 28,997,532
Provision for Exchange Premium on Advances Repayable in United States Dollars			(d)	673,649	—	1,140,573	—
				$159,302,584	$29,878,370	$137,711,793	$ 28,997,532

(a) Advances repayable in United States dollars amount to $15,059,057 as at December 31, 1973.

(b) Treasury bills serially maturing through to 1977.

(c) Advances totalling $65,187,000 received through the Canada Pension Plan under 20 year terms, are subject to redemption on six months notice.

(d) This provision represents amounts incurred or provided for exchange premium on advances repayable in United States dollars. The respective portion of the provision will be applied towards any exchange premium incurred at time of maturity or partial cancellation of advances and the balance will be credited or amortized to income over the remaining life of the advance. In 1973, $466,924 of exchange premium was transferred to the Unamortized Gain on Retirement of Advances before Maturity account. Based on foreign exchange rates prevailing as at December 31, 1973, the provision is $734,000 in excess of requirements.

(e) During 1973 installment payments into the Sinking Fund amounted to $4,379,692 ($4,865,047 in 1972). Repayment of Advances, net of Sinking Fund equity and gains amounted to $505,911 in 1973 ($542,972 in 1972).
The estimated amounts required for Sinking Fund installments and Advance repayments (net of Sinking Fund Equity) over the next five years are as follows:

	Sinking Fund Payments	Advance Repayments (Net)	Total
1974	$4,584,000	$ 365,000	$4,949,000
1975	4,444,000	322,000	4,766,000
1976	4,204,000	662,000	4,866,000
1977	3,957,000	964,000	4,921,000
1978	3,612,000	1,745,000	5,357,000

(f) In 1973 sinking fund payments and repayment of advances due within one year were excluded from current liabilities in accordance with telephone industry practice. The 1972 figures have been restated for comparative purposes and for the calculation of working capital.

SASK TEL

TEN-YEAR RECORD OF PROGRESS

at December 31	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
TELEPHONES										
SASK TEL Owned	366,515	344,661	328,126	314,981	306,883	297,009	282,022	265,765	247,876	230,289
Percent Dial	99.5%	98.9%	97.7%	96.6%	95.5%	94.4%	92.5%	91.6%	90.4%	89.0%
Connected*	123,372	110,233	100,608	94,527	96,581	94,817	91,802	87,162	83,251	65,342
Net Increase*	21,854	16,535	13,145	8,098	9,874	14,987	16,257	17,889	17,587	15,064
Rural Company Owned (Switched by SASK TEL)	50,648	50,616	50,723	51,062	51,583	52,357	52,815	53,231	52,787	52,553
Percent Dial	98.3%	95.1%	89.6%	85.8%	80.6%	76.8%	68.0%	63.3%	58.0%	51.5%
Telephones Per 100 People	45.9	43.1	40.9	39.3	37.6	36.4	35.1	33.6	31.9	30.6
NUMBER OF EXCHANGES	332	337	345	359	370	376	387	386	382	380
NUMBER OF TOLL OFFICES	26	26	18	21	42	49	56	57	74	83
LONG DISTANCE MESSAGES										
(Origin — Saskatchewan)*	28,995,000	23,170,000	20,653,000	18,896,000	18,272,000	17,351,000	16,443,000	15,448,000	14,182,000	12,536,000
FINANCE										
Operating Revenues*	$ 66,237,099	$ 59,777,132	$ 53,884,880	$ 50,546,121	$ 47,094,799	$ 43,265,574	$ 40,137,356	$ 36,112,256	$ 32,554,096	$ 28,829,557
Operating Expenses*	$ 44,174,887	$ 39,635,747	$ 35,752,963	$ 33,820,673	$ 30,891,950	$ 29,101,025	$ 26,741,176	$ 24,659,665	$ 22,131,105	$ 20,394,380
Interest and Related Costs*	$ 6,415,968	$ 5,990,046	$ 5,623,453	$ 5,619,200	$ 5,847,196	$ 5,730,079	$ 5,363,953	$ 4,846,886	$ 4,519,804	$ 4,029,851
Net Income*	$ 16,366,266	$ 14,435,399	$ 12,723,294	$ 11,718,116	$ 10,775,878	$ 8,592,856	$ 8,321,528	$ 6,831,255	$ 6,182,595	$ 4,715,591
Dividend—Province of Saskatchewan*	$ 8,150,000	$ 7,200,000	$ 6,350,000	$ 5,850,000	$ 5,400,000	$ 4,300,000	$ 4,150,000	$ 3,800,000	$ 3,932,595	$ 4,715,591
Telecommunications Property	$283,619,904	$257,748,819	$242,356,804	$229,150,171	$217,707,821	$202,533,233	$189,163,848	$172,411,573	$157,015,013	$146,683,866
Advances from Province of Saskatchewan	$159,302,584	$137,711,793	$139,143,595	$132,101,625	$147,831,422	$137,579,814	$136,877,940	$129,043,807	$122,835,266	$112,828,161
Debt as a Percent of Year-End Capital	66.5%	66.9%	69.6%	71.9%	74.8%	77.4%	79.1%	80.6%	82.4%	83.2%
EMPLOYEES AND PAYROLL										
Number of Employees	2,695	2,556	2,449	2,434	2,435	2,447	2,447	2,412	2,310	2,181
Salaries and Wages Earned*	$ 23,339,187	$ 20,395,198	$ 17,896,384	$ 16,351,550	$ 15,348,911	$ 14,398,026	$ 13,401,193	$ 12,408,576	$ 11,432,628	$ 10,653,451

* For the Year Ended December 31

SASKTEL

NORTHERN TELECOMMUNICATIONS SERVICES